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MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTION

STEEL RETENTION PRICES

*New Delhi, the 1st February 1956*

No. SC(A)-2(149)/55.—In their resolution No. SC(A)-2(141)/55 dated 16th May 1955, the Government of India requested the Tariff Commission to conduct necessary enquiries and to recommend a uniform retention price which should be paid to the major producers, having regard to their current expansion programmes and the additional programmes which they are to undertake. Government desired that the prices fixed for the two producers should be uniform on the average and, where necessary and possible, for comparable products. The price should also be such as would enable the major producers to obtain a portion of their capital requirements for their current and additional expansion programmes from the internal resources and to raise the balance from outside. The Commission were also requested to recommend the period for which the revised retention price should remain in force.

2. The Commission, having conducted an inquiry has submitted its report. The main recommendations are:—

- (1) The average retention price of steel produced by TATAS and IISCO should be fixed at the uniform rate of Rs. 393 per ton and that the revised price should remain in force for a period of five years from 1955-56 to 1959-60.
- (2) If, for reasons beyond their control the IISCO find their works costs in 1958-59 or 1959-60 to be higher than those assumed by the Commission, to such an extent as to cause a serious decline in the total internal resources expected to be available to them over the period of price fixation, they may apply to Government for a review of the retention prices.

- (3) The retention prices recommended by the Commission may be adjusted from time to time to the extent that Government are satisfied that manufacturing costs have altered from 1954-55 level as a result of changes in railway freights, changes in statutory prices of coal and other fuel, raw materials, stores or machinery, and changes in labour costs caused by labour legislation or adjudication or conciliation awards.
- (4) The 1954-55 retention prices adjusted for variation in manufacturing costs for Tata Iron and Steel Co. and the Indian Iron and Steel Co., would be Rs. 343 and Rs. 386 per ton respectively and the amount to be credited by each to its Development Fund should be the difference between the above adjusted retention price and the uniform retention price referred to in (1) above and its actual sales.
- (5) The scheme of retention prices recommended by the Commission is based on the assumption that the Indian Iron and Steel Co. also will sign an agreement with Government similar to that signed by Tata Iron and Steel Co. to the effect that the excess of the effective retention prices as adjusted for the factors mentioned in (3) above, that may be current from time to time over the 1954-55 retention prices similarly adjusted from time to time will, after deduction of all taxes payable thereon or in respect thereof, be transferred to a separate Fund and that the amounts in that Fund will be used only for the purpose of financing the company's expansion programme and for no other purpose without the previous consent of the Government of India.

3. The Government of India have accepted recommendations (1), (4) and (5). As regards recommendations (2) and (3), it will be open to the Companies to make representations to Government, if and when a situation visualised in these recommendations, arises. Government will consider such representations on merits.

H. V. R. IENGAR, Secy.